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ECONOMIC AFFAIRS

No. 206



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NATIONAL POLICY AND ISSUES

'SHIJIE JINGJI DAOBAO' ON CHINESE ECONOMIC GROWTH

HK081232 Shanghai SHIJIE JINGJI DAOBAC in Chinese No 65, 28 Dec 81 p 2

[Article by Luo Yuanzheng [5012 0337 6927]: "The Chinese Economy Advances Steadily Despite Global Economic Fluctuations."]

[Text] Since the beginning of the 1980's people throughout the world have come to notice an encouraging phenomenon: The Chinese economy has continued to advance steadily despite global economic fluctuations.

As the analysis of media experts in each country suggests, the economy of the capitalist world will remain in the gloomy shadow of depression for some time to come. There are five factors now that plague the world economy: Inflation, sagging production, scarcity of resources, increasing unemployment and deteriorating foreign trade. The effects of these various factors have caused varying degrees of difficulty for the developed capitalist nations, the developing nations and the Soviet Union, resulting in currency, production and resource crises. Since 1981 the United States's economic growth rate has been falling continuously and the Reagan administration has recently been forced to admit that the United States has now entered another economic recession. European "welfare states" such as Britain, France, West Germany, the Netherlands, Luxembourg, Denmark and Sweden all enjoyed a period of relative prosperity following the end of World War II. In recent years, however, the picture has not looked so bright and they too have had to face increasingly serious economic difficulties. In the 23 years that have passed since 1955, the Soviet Union's industrial output has increased 200 percent (heavy industrial output has increased 600 percent), with light industrial output increasing 370 percent. Agricultural output, however, has only gone up 100 percent, resulting in a serious imbalance between the agricultural, light industrial and heavy industrial sectors of the economy. This abnormality in the structure of the economy has led to a continuous decline in the growth rate of the Soviet economy. During the 1950's, the average rate of growth was 5.8 percent; in the 1960's it was 5.1 percent and in the 1970's it was down to 3.7 percent. The rate of growth expected during the first half of the 1980's is as low as 2.2 percent.

Because of the gloomy outlook for the world economy there has been a resurgence of protectionism and the friction between different trading nations is becoming more intense by the day. The example of the two trading powers of Japan and the United States makes the situation abundantly clear. The United States began by

making a formal written request for the abolition of Japan's import duties on computers, automobile parts, oranges and 24 other products. This demand was stoutly rejected by the Japanese. The United States, seeking to find a foreign trade outlet for its enterprises, forced the Japanese market open. The Japanese are currently seeking every means possible to find a way of dealing with the situation. Several nations which depend heavily on foreign trade have already had their domestic production disrupted by the fall in exports. Yugoslavia and Hungary, for example, have both had to slacken their pace of economic development. Suffering the effects of this economic storm, many developing nations have had to cope with a sudden decline in exports and the deterioration of financial conditions.

It is quite clear that the world economy is at present caught in an exceptionally serious global recession. While this economic storm engulfs the whole world, however, the Chinese economy has begun to get onto the right track of steady economic development.

This steady development of the Chinese economy manifests itself in four different areas. First, there has been a basic balancing of revenue and expenditure. In the past, the influence of "leftist" thinking resulted in all capital construction being done on an excessively large scale. The failure to curtail such construction projects combined with the considerable efforts made over the past few years to improve the people's livelihood, resulted in deficits of over 10 billion yuan for the 2 consecutive years of 1979 and 1980. In 1981 further readjustment meant that this deficit could be reduced to 2.7 billion yuan and that a basic balance could be achieved between revenue and expenditure. Second, there has been a steady growth in the rate of production. The overall increase in agricultural production has laid the foundations for stable economic development. Despite the fact that many areas suffered serious natural disasters in 1981 the nation as a whole was still able to achieve the second highest grain yield since the founding of the PRC. Light industry in particular has enjoyed considerable growth with the projected output value for textiles in 1981 increasing 12 percent over the previous year. Production of certain durable consumer goods for which there was an urgent demand increased by 10 or even 100 or more percent. After a period of decline, heavy industry also enjoyed a revival. The vicious circle of "self-expansion" is now being changed and heavy industry is back on the right track of serving the technical transformation of the national economy, the agricultural and light industrial market as well as our country's export trade and the modernization of national defense. Third, the problem of being over-extended on the capital construction front is being gradually solved. Investment is being used in an increasingly rational way and the results of this investment are being steadily improved. Fourth, market prices are relatively stable; foreign and domestic trade has grown and the people's standard of living continues to increase. While the price of certain consumer products on the market may have increased over the past few years, the price of essential goods has remained relatively stable, and the increase in the general price index during 1981 was less than it was in 1980. It is the peasants who have achieved the largest increase in income but the vast majority of urban residents have also enjoyed some increase in their income.

Looking at the situation as a whole, we can see that the Chinese economy seems to have gained a new lease on life. What factors have brought about this promising new situation?

The general way in which the Chinese national economy has developed over the past 30 years since the founding of the PRC can be described as follows: Emphasis on the development of heavy industry has given impetus to the whole national economy and has led to the gradual construction of a fairly independent and comprehensive industrial complex and national economic system; economic development has been achieved primarily through new construction and other methods of expanded reproduction through extension; production materials for heavy industry have been obtained by relying on domestic funds and the domestic market or by exporting both primary and light industrial products; and we have gone all out to increase the total social output and catch up with the advanced capitalist nations within a short period of time. This course was historically necessary and also achieved undesirable results. However, it also had its drawbacks, particularly after the great leap forward in 1958 when high targets were sought at the expense of overall balance and economic effects, heavy industry was developed one-sidedly at the expense of agriculture and light industry and production and construction were over-emphasized at the expense of consumer products and the people's standard of living. Since the 3d plenary session of the 11th CCP Central Committee, and especially since the 6th plenary session, our country has made the necessary strategic shifts and has found a new course for economic construction. The 10 principles for economic construction put forth by Premier Zhao Ziyang in the government work report presented to the fourth session of the fifth National People's Congress represented the concrete embodiment of this new course. While this strategy has only just been put into action it has already brought about gratifying changes to the Chinese economy. It can safely be said that by further implementing this new economic strategy and by following this new course of economic construction we will certainly be able to overcome the various difficulties that will necessarily arise on the road forward, and thus open a new era of economic prosperity and build a powerful socialist nation that enjoys both material and spiritual civilization.

CSO: 4006/284

AGGREGATE ECONOMIC DATA

NATIONAL, PROVINCIAL AGGREGATES GIVEN FOR 1980

Shanghai ZHONGGUO BAIKE NIANJIAN 1981 [YEARBOOK OF THE GREAT ENCYCLOPEDIA OF CHINA, 1981] in Chinese Jul 81 p 70

[Text] Workers' Wages and Peasant Income of Provinces, Municipalities, and Autonomous Regions in 1980

Area	Average Wage of Workers & Staff (in yuan)	Average Income of Commune Members (in yuan)	Area	Average Wage of Workers & Staff (in yuan)	Average Income of Commune Members (in yuan)
National average	803	85.9	Shandong	775	101.6
Beijing	889	181.5	Henan	759	73.1
Tianjin	865	151.4	Hubei	744	87.5
Hebei	753	83.6	Hunan	746	91.9
Shanxi	795	82.2	Guangdong	807	104.9
Nei Monggol	839	66.2	Guangxi	735	75.2
Liaoning	833	122.6	Sichuan	789	72.1
Jilin	827	117.5	Guizhou	798	50.4
Heilongjiang	880	115.8	Yunnan	782	68.3
Shanghai	918	197.2	Xizang	1,056	127.5
Jiangsu	721	94.6	Shaanxi	811	65.8
Zhejiang	772	102.2	Gansu	896	62.2
Anhui	739	66.4	Qinghai	1,100	108.0
Fujian	737	71.9	Ningxia	892	77.3
Jiangxi	733	83.7	Xinjiang	904	107.0

Note: The average wage of workers refers to regular workers and staff of units under the ownership of the whole people. The income of commune members refers to income distributed from the collective economy for initial distribution for the whole accounting unit. (State Statistical Bureau)

Gross Value of Industrial and Agricultural Output of Provinces, Municipalities
and Autonomous Regions in 1980
(calculated on the basis of constant prices of 1970)

(Unit: in 100
million yuan)

<u>Area</u>	<u>Gross Value of Agricultural & Industrial Output</u>	<u>Gross Value of Agricultural Output</u>	<u>Gross Value of Industrial Output</u>	<u>Output</u>	<u>Output</u>	<u>Output</u>	<u>Value of Light Industry</u>	<u>Value of Heavy Industry</u>	<u>Of which:</u>
National total	6,619.66	1,627.23	4,992.43	2,343.64	2,648.79				
Beijing	248.22	13.91	234.31	91.69	142.62				
Tianjin	208.98	14.99	193.99	103.16	90.83				
Hebei	299.52	87.25	212.27	96.21	116.06				
Shanxi	148.81	38.72	110.09	34.45	75.64				
Nei Monggol	80.58	25.75	54.83	23.28	31.55				
Liaoning	514.03	57.99	456.04	147.65	308.39				
Jilin	169.48	37.87	131.61	51.82	79.79				
Heilongjiang	286.39	64.49	221.90	73.67	148.23				
Shanghai	650.89	24.73	626.16	329.37	296.79				
Jiangsu	604.84	146.92	457.92	249.92	208.00				
Zhejiang	275.50	85.07	190.43	115.15	75.28				
Anhui	188.06	66.32	121.74	63.57	58.17				
Fujian	116.85	41.33	75.52	46.50	29.02				
Jiangxi	138.87	53.10	85.77	41.02	44.75				
Shandong	457.53	134.66	322.87	164.48	158.39				
Henan	294.57	110.78	183.79	94.26	89.53				
Hubei	308.14	84.05	224.09	107.01	117.08				
Hunan	261.54	93.13	168.41	70.77	97.64				
Guangdong	311.01	88.10	222.91	138.45	84.46				
Guangxi	127.81	50.16	77.65	45.61	32.04				
Sichuan	401.49	138.64	262.85	120.05	142.80				
Guizhou	73.27	29.28	43.99	15.97	28.02				
Yunnan	102.34	40.96	61.38	27.72	33.66				
Xizang	6.04	4.51	1.53	0.49	1.04				
Shaanxi	142.61	35.56	107.05	51.77	55.28				
Gansu	104.69	23.83	80.86	16.10	64.76				
Qinghai	20.37	6.48	13.89	4.71	9.18				
Ningxia	19.03	5.35	13.68	3.68	10.00				
Xinjiang	58.20	23.30	34.90	15.11	19.79				

Note: With the exception of Taiwan Province,
all data above were supplied by the
people's governments of the various
provinces, municipalities, and auto-
nomous regions.

State Statistical
Bureau

ECONOMIC MANAGEMENT

CHECKING OF 'UNDERHAND CONNECTIONS' URGED

Tianjin TIANJIN RIBAO in Chinese 9 Dec 81 p 2

[Article by Yun Qiyong [0061 3049 0516]: "The Unhealthy Tendency of Establishing 'Underhand Connections' Must Be Checked"]

[Text] The unhealthy tendency of "establishing underhand connections" now prevalent in society, is really disgusting. People are sickened at the sight of this practice and generally sneer at it.

A characteristic of "underhand connections" is the attempt to get something done on the strength of these "connections." Once a "connection" is established, everything can be neatly arranged. In daily social intercourse, if A gives B some benefit and B reciprocates with some real favor, the "connection" is established to mutual advantage. People trying to establish such "connections" must have something--power, money or material objects--to offer, or they are not qualified to join the rank. Any offer of assistance cannot be one-sided, because "it is against the rules of propriety to be taking without giving." "Underhand connections" are usually formed for certain specific purposes. In such dealings, the people concerned can say anything but the truth. It is a classical case of "the eight immortals crossing the river, each demonstrating his own unique magical power." People with "underhand connections" cannot be offended because any ill-considered word uttered may result in "an eye for an eye, and a tooth for a tooth."

The main objective of establishing "underhand connections" is to benefit certain groups at the expense of the state, to turn public interests into private interests, or to harm others to benefit oneself. This practice corrodes people's soul, tramples socialist morality underfoot, undermines the flesh-and-blood relationship between the party and the broad masses, and impedes the smooth progress of the four modernizations. Is this an exaggeration? Not at all! Haven't you seen people getting so deeply involved that they cannot extricate themselves and finally had to commit crimes? Haven't you seen huge amounts of state property getting through numerous loopholes into the hands of small groups or the purse of individuals as "extra income"? Aren't you aware that these "underhand connections" have given rise to people's grievances which may adversely affect the party's prestige? The obnoxious atmosphere of establishing "underhand connections" has already infiltrated into certain sphere and can easily deceive people with its mantle of "legitimate rights." Therefore, we cannot afford to take it lightly.

It will be remembered that before the "Great Cultural Revolution," including the period of economic recovery and the 3 years of temporary economic difficulties,

the relationships among comrades, units, departments and areas in daily life, and in cooperation in work and production, were quite good, and the term "underhand connections" was practically unheard of. Unfortunately, after 10 years' rampage by Lin Biao, Jiang Qing and their gang, the party's workstyle as well as the social atmosphere were ruined. It was under these conditions that "underhand connections" as an unhealthy tendency began to thrive. The argument that "underhand connections" are the outcome of material shortage is obviously untenable. Similarly, the view that "underhand connections" are like solid ice with a depth of 3 feet which cannot thaw is equally groundless. Like a colossus with feet of clay, this unhealthy tendency cannot be long sustained because of its frail structure. We have been able to remove the three huge mountains and to overthrow the Lin Biao-Jiang Qing gang which were for a time so arrogant and powerful; then how can we possibly fail to check some unhealthy tendency? As long as the functionaries at various levels will set good personal examples, our ideological and political work is kept up, and there are clear-cut disciplines and a sound legal system, this problem can certainly be solved. In dealing with those seeking every opportunity to "eat a big fish" in order to fatten the "small fry," we should "pay them back in their own coin" and let them suffer. This is undoubtedly a good way.

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CSO: 4006/215

MINERAL RESOURCES

GEOLOGICAL PROSPECTING FOR GOLD IN SHAANXI INTENSIFIED

Beijing GUANGMING RIBAO in Chinese 1 Jan 82 p 2

[Article by Wu Yongshun [0702 3057 7311] and Xiao Tihuan [5135 7555 3562]: "Following the Lead of Scientific Research and Mastering the Laws of Mine Discovery, Shaanxi Province Makes New Progress in Geological Prospecting for Gold"]

[Text] Proceeding from the actual conditions in the province, the Shaanxi Provincial Geological Bureau has strengthened its scientific research in geology for gold mines and formulated and implemented its work policies under which primary deposits should be the main concern in gold mining; placer gold should serve as the main criterion in the evaluation of the gold content; and the altered forms of granites in gold mines should be given attention. These policies have resulted in new breakthroughs in the technology of gold mining and marks a new step forward in geological work in the province. The deposits of industrial gold, as verified in the province, will be progressively increased by 3 to 4 tons each year.

Firmly adhering to the principle of following the lead of scientific research, the Shaanxi Provincial Geological Bureau has actively explored the metallogenetic laws to be used for guiding geological work for gold. A research team of the provincial bureau also assigned some engineers and technicians to form a geological research groups specially for gold mining. All geological teams, engaged in the discovery of gold mines have also carried out special research according to the geological conditions of their own worksites. Both the No 5 Geological team—engaged in studying the metallogenetic laws and the mineralogenic epoch in the Xiaoqinling Area—and the No 3 Geological Team—engaged in studying the genesis of occult explosion-breccia in the gold mineralized zone and the method of chemical analysis on low-tenor gold—have achieved gratifying results. Based on the relevant research data, the No 8 Geological Team discovered a small gold deposit in the rock series of a basic volcano of the Proterozoic Era in the Laoyu Area of Huxian County on the northern slope of the Qinling Mountain Range. Following the clues provided by this small gold deposit, the geological team discovered several spots with signs of gravity anomaly and gold deposits.

While actively exploring the metallogenetic laws, the Shaanxi Provincial Geological Bureau made some new breakthroughs in the methods of gold prospecting. With the rational use of mining engineering and based on the data of geological surveys, the No 5 Geological Team discovered the methods of tunneling and drilling to be used on the washed gravels on the upper and lower surfaces respectively of the erosion data place. These methods can help speed up prospecting and ensure its high quality

in addition to facilitating future mining projects. In prospecting for placer gold, the No 7 Geological Team invented the method of "drilling straight to the bottom" based on its practical experiences, and has already drilled 1,500 holes. These drillings have been confirmed to be of good quality as shown in 33 shallow wells.

Following these breakthroughs in geological prospecting technology, gold mining in the province has entered a new phase. By now, four gold mines of the basic types have been verified; 15 sections and areas have been designated as having possible primary gold ores; 17 sections designated as having concentrated placer gold deposits; and 74 areas designated as having halos of heavy sand with gold contents. This team is now planning to deliver a geological prospecting report to the state in 1982 on a large placer gold mineral deposit and a medium-size primary gold mine.

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FOREIGN TRADE

INCREASED EXPORT OF METALLURGICAL PRODUCTS REPORTED

Chengdu SICHUAN RIBAO in Chinese 22 Nov 81 p 2

[Article by correspondents Tao Weimin [7118 5588 2429] and Tang Jihai [0781 4949 3189]: "Expo. of Metallurgical Products in Sichuan Nearly Doubled after Entering International Market through Various Channels"]

[Text] After increasing their avenues of production, the metallurgical enterprises in Sichuan have directed their efforts to expanding exports and obtained fairly good results. In the first 10 months of this year, 14 varieties of metallurgical products, totaling 94,500 tons, were exported with a total earning of 47,517,000 dollars in foreign exchange. Out of the total amount, 56,000 tons or 59.3 percent of the total export of metallurgical products in the province--which is 40.9 times that of the same period last year--were directly exported by the enterprises. The foreign exchange earnings of these enterprises amounted to 22.9 million dollars, being 56 times the earnings in the same period last year. The export of finished metallurgical products has enabled the province to import 400 tons of artificial silk and chemical-industrial raw materials urgently needed for the light and textile industries.

The increase in the export of metallurgical products in our province is primarily the result of persistent efforts to increase our foreign earnings. Compared with last year, the number of export enterprises and varieties of exported goods has increased and the scope of exports has expanded. This was the first time for our seamless steel pipes, silicon iron and billet to find their way into the international market. The export of pig iron by the small iron foundries in particular increased by a wide margin, with a total of 6,100 tons already exported. The steel pipes produced by the Chengdu Seamless Steel Pipes totaling 2,306 tons were also for the first time exported to the Philippines, Korea and the Southeast Asian regions. All the indexes were up to the required standards. Since the beginning of this year, the scarcity of raw materials and semifinished products in the makeup of exports from our province has been initially changed.

Another feature in the increased export of our metallurgical products was "flexibility" in adopting various forms of foreign trade. In addition to unilateral export, there have been exchange of goods with foreign merchants and processing of materials supplied by foreign customers. In short, every possible effort was made to stimulate production, to enliven the economy and to increase both production and income. This year, there have been very few state orders for goods from

the Emi Metal Alloy Plant, and the plant at first expected to suffer a loss of more than 5 million yuan. To cope with this situation, the plant took the initiative of forming contacts with the foreign trade departments concerned and signed contracts for the export of more than 4,360 tons of metal alloy. By the end of October, 4,300 tons, being 3.7 times the amount in last year, had been exported with foreign exchange earnings of 7.79 million dollars. The plant expects to make a profit of more than 2 million yuan this year and has already handed over 1.41 million yuan of profits, a 41 percent increase over last year, to the state.

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FOREIGN TRADE

BRIEFS

HUSBAND-WIFE SMUGGLING TEAM--Early yesterday morning the Guangzhou Municipal Intermediate People's Court arrested and put in prison Wang Weijing, a speculator, profiteer, smuggler and illegal foreign exchange dealer. Wang Weijing was the former secretary of the Guangzhou Municipal Telecommunications Bureau CCP Committee and the former director of the bureau. In conspiracy with his wife Wang Min, in January and July 1980, he resorted to all sorts of tricks to purchase a large number of high-grade imported commodities, including TV sets, recorders, electronic calculators and watches, brought them to Yantai Prefecture in Shandong Province and sold them at high prices to reap staggering profits. They were discovered and seized by the Yantai customhouse. At the beginning of last year, the Municipal Telecommunications Bureau informed the Guangzhou Municipal People's Procuratorate of the offences committed by Wang Weijing and Wang Min. After receiving the information, the Municipal People's Procuratorate immediately sent people to conduct investigation. After collecting a large amount of evidence, the Municipal People's Procuratorate instituted legal proceedings at the Guangzhou Municipal Intermediate People's Court last June. In the beginning of July the Guangzhou Municipal Intermediate People's Court arrested Wang Min in accordance with the law. [Text] [HK020821 Guangzhou Guangdong Provincial Service in Mandarin 2350 GMT 1 Feb 82]

CSO: 4006/283

LABOR AND WAGES

'SELF-INTEREST' AS MEANS OF AROUSING ENTHUSIASM QUESTIONED

Nanjing XINHUA RIBAO in Chinese 24 Nov 81 p 3

[Article by Wen Yun [5113 6678]: "Is 'Self-interest' Being Used as a Means of Arousing Enthusiasm?"]

[Text] Several basic-level cadres of some plants once gathered together to talk about the system of economic responsibility. It was generally agreed that with the heavier responsibility of the enterprises and the increased pressure, the driving force has been increased and new vitality had been introduced in business management. However, some of them disagreed, because, as they thought, "it is only money that has stimulated the efforts, and 'self-interests' that has aroused enthusiasm!"

Is the use of "self-interest" as a means to arouse enthusiasm a deviation from the socialist economic road? This question must be clarified.

First, let us look at the results of the system of economic responsibility. In the case of the Wushi Compressor Plant, for example, three outstanding problems in their business operation were solved in the following ways: First, acting in accordance with the principle of "one main product with many by-products," the plant actively developed its own market with the result that instead of "operating under capacity," (only 5 percent of its productive capacity was used in fulfilling state plans) it is now "operating beyond capacity." Second, by making up a shortage of 150,000 man/hours (being one-third of the total productive capacity of the whole plant), the plant has managed to complete all the excessive production tasks. Third, it has turned an expected loss of 3 million yuan on its second product serving light and textile products into profits. It is now operating smoothly at full capacity, and may even overfulfill its profit quota. How did this plant manage to resolve these three outstanding contradictions? A cadre of this plant said: "We attended to 'retooling' on the one hand and management on the other. What we relied on was the principle of combining political and ideological work and the system of economic responsibility as a driving force, we will have the locomotive under control."

Then does the system of economic responsibility, serving as a "locomotive" symbolize "public interest" or "self-interest"? Will it lead the "train" away from the socialist direction? The key to the correct direction lies in the railway track. In fact, the state has already laid two tracks for the system of economic responsibility.

The first is known as the system of public ownership. This is the foundation of the socialist relations of production, the foundation of the identity of interests among the state, the collective and the individuals, and the foundation of a combination of rights, responsibilities and interests after the introduction of the system of economic responsibility. We must be aware that in building socialism, the establishment of a system of public ownership of the means of production does not mean that all problems have been solved. It is even more important that we should study how the laborers are integrated with the means of production. In the socialist period, there is a contradiction between public ownership of the means of production and individual ownership of part of the labor power. On the one hand, laborers are the joint owners of the means of production, and their labor is primarily social labor. On the other hand, their labor still retains the characteristics of a means of individual living in the sense that they are working for themselves. Under such conditions, if we make hasty changes in the relations of production regardless of the level of the development of the productive forces or the level of political consciousness among the broad masses, the result will be contrary to our wishes. How could there be the "three no-differences" [no difference between working and not working, no difference between more and less work and no difference between good and poor work] some years ago? Now could people be so indifferent to public losses? Why did some workers, originally hard-working, lose their enthusiasm because everyone was "eating from the same pot"? One of the causes was that our system of distribution could not very well inculcate a sense of responsibility among the laborers as masters of their own affairs. The present system of economic responsibility in various forms and the practice of the "to each according to his work" principle are precisely meant as a solution to this problem through material benefits in order that the laborers will be closely integrated with the means of production. The closer this integration is, the more effective will it be in arousing the enthusiasm of workers and staff members, the stronger will be the centripetal force of the enterprise, and the more advantageous will it be for the formation and development of real productive forces.

Another railway track is known as the "three simultaneous considerations." The purpose of introducing the system of economic responsibility is to link "labor" with "gains," or to implement the principle of material benefits. What we are talking about here is not the principle of individual material benefits, but the principle of overall material benefits, namely, the interests of the state, the collective and the individuals. The idea behind the so-called "simultaneous considerations" is that instead of any single party, we should consider the state as the party to receive the larger share, the enterprise as the party to receive the smaller share, and the workers and staff members as the party to receive the remaining share. The relationship among these three parties is actually intended as a means for the state to gain more wealth through the enthusiasm of the enterprises and the workers and staff members. If the state will make some concession to the enterprises, its financial revenues will be increased by a great deal. One has to give before he can take. We must of course guard against the tendency toward enlarging the "remaining share" and the "smaller share" regardless of the "larger share." However, if we want to take a new road, we must not be afraid of "people getting rich." We must not call a halt as soon as we see some enterprises or workers earning higher income. As long as we explain to them the reasons, enforce the disciplines, constantly carry out education in the "three simultaneous considerations," encourage them to share the state's burden, continue to strengthen

the basic work in enterprise management, and step up our supervision with the support of financial and economic laws, the system of economic responsibility can certainly continue to improve and develop in a healthy way.

In his article "Economic and Financial Problems," Comrade Mao Zedong said: "All empty talks are useless. We must show the people material benefits." The basic function of our party's political and ideological work is to educate the laboring masses so that they will know where their own benefits are and then become united in the struggle for these benefits. People believe that the system of economic responsibility can work wonders simply because this system combines "responsibility" with "benefits," and teaches people to be concerned with the fruits of collective and individual labor and with the economic development of the states, all beginning with their own visible and tangible material benefits. This system can also work wonders because it has a grasp of the deep roots of the continually soaring enthusiasm of the laboring producers. It is precisely in this sense that we call the system of economic responsibility the only way to raise labor productivity and to develop socialist economy. Is it related to public interest or to self-interest? This depends on whether or not it travels along the track of the "three simultaneous considerations."

It is true that a train can sometimes lose its direction and become derailed and overturned. Because part of the labor power is owned by individuals during the socialist period; because there is an identity as well as a conflict of interests among the three parties (since the increase in the share of one party will naturally reduce the shares of the others); because the application of the principle of "to each according to his work" is only limited; and, more important still, because there are disparities in people's political consciousness and loopholes in certain particular systems; and if we fail to change and improve the system of economic responsibility; if we do not pay attention to the counter-effects of consciousness on matter; and if we are not good at treating the new problems in the system of economic responsibility as new tasks for which we have to strengthen our political and ideological education and enterprise management, then "self-interest" and deviations may appear--and have appeared to a certain extent. Good and evil are correlated, and all things in the world have a dual nature. Let us hope that our entrepreneurs will truly master the way of creating wealth. The "way" is to improve the economic results and the way of "three simultaneous considerations" instead of the crooked way of disregarding righteousness at the very sight of benefits.

9411
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LABOR AND WAGES

IMPORTANCE OF TRAINING FOR WORKERS, STAFF MEMBERS STRESSED

Shanghai JIEFANG RIBAO in Chinese 19 Dec 81 p 1

[Article by JIEFANG RIBAO commentator: "Effective Education for Workers and Staff Members Is an Urgent Task"]

[Text] The Conference of Education for Workers and Staff Members in Shanghai has come to a successful conclusion. In light of actual conditions in the municipality, the conference earnestly studied and discussed the "Decision of the CCP Central Committee and the State Council on Strengthening Education for Workers and Staff Members," and gained a better idea of the need for this type of education. After the exchange of experiences, the conference formulated plans for staffing the leading organs responsible for the education at various levels. We are confident that after this conference, education for workers and staff members in the municipality will enter a new phase.

The "Decision" of the CCP Central Committee and the State Council pointed out: "Education for workers and staff members is an important method to tap intellectual resources and to cultivate talent. It is a reliable way to ensure the continued development of our national economy and has a close bearing on the success or failure of the modernization drive." It added: "Strengthening the education of workers and staff members is an important aspect of the measures to accomplish the readjustment." This is a clear exposition of the strategic and practical significance of education for workers and staff members. The "Decision" also pointed out that making up the missed lessons in political and ideological work and in culture and technology for the cadres and the young and middle-age workers and staff members should be the focus of educational work in the near future. This is entirely consistent with the actual conditions in the municipality. Strengthening education for workers and staff members is a very urgent task in view of the need to develop production as well as to consolidate their ranks.

At present, our national economy is in the process of a further readjustment. Although the state is unable to increase its investment in industry, a certain rate of growth should still be maintained in industry in the municipality. Apart from implementing various policies and arousing the enthusiasm of the enterprises, workers and staff members, we should also rely on technical transformation and give full play to Shanghai's technological strong points in order to raise labor productivity. Then building up a contingent of cadres, workers and staff members, who are both red and expert and compatible with the requirements of modernized production, is a prerequisite for preserving Shanghai's technological strong points and developing production. The present management level of the cadres of our

enterprises and establishments and the cultural and technological level of our workers and staff members are all low and inconsistent with the requirements for developing production. After the "Cultural Revolution," the number of young workers now amounts to 62 percent of the total number of workers and staff members in the municipality, and the cultural level of a very large portion of these young workers is below that of junior secondary schools. Among the technical personnel in the municipality, more than 85 percent of them are of the elementary grade; and among the total number of administrative cadres in the municipality, only half of them have received junior secondary or elementary school education. It is quite obvious that if these conditions are not improved, it will be very difficult for Shanghai's economy to be raised to a new level. As proved in the history of modern economic development, the scientific and cultural level of the cadres, workers and staff members has a decisive effect on the level of enterprise management and labor productivity and on the speed of production development. Some economically developed capitalist countries are attaching great importance to the education and training of workers and staff members, simply because they know that the success in this type of education can be turned into economic benefits. The experiences of some departments and units introduced during the conference also proved this point. Because of the attention of the leadership of these departments and units to the education of the cadres, workers and staff members in political and ideological work, and in culture and technology, the management level of the enterprises and the cultural and technological level of the workers and staff members have been raised so that with the original equipment and premises, these departments and units could produce more and better products which are highly competitive on the market at home and abroad. Thanks to the leadership's attention to their education, again, the enthusiasm of workers and staff members to learn about culture and technology has been aroused and their mental outlook has also undergone a profound change. Facts have proved that those believing that education for workers and staff members is like "water in a far away place which cannot be used to put out a fire in the immediate vicinity" and that it is an "extra burden" having backward and biased views. Along with the developments in practice, the importance of education for workers and staff members has become increasingly clear to everyone.

Of course, there are many real problems--some of them involving matters of policies--to be solved in the promotion of education for workers and staff members, and these problems cannot be solved by one department or one enterprise alone. These problems were discussed in the conference and due arrangements have been worked out. We believe that under the leadership of the municipal party committee and the municipal people's government, as well as the unified management of the Municipal Workers and Peasants Education Committee, education for workers and staff members can be developed fairly smoothly through the distribution of work and responsibility and the pooling of resources. Some departments and units introduced in the conference have been running schools steadfastly despite fairly difficult conditions, and gradually established a regular system of education. This shows that as long as the leadership attaches great importance to this matter and adopts effective measures to coordinate this education with production in different forms according to the actual conditions, education for workers and staff members can certainly be a success.

In his Report on the Work of the Government at the Fourth Session of the Fifth NPC, Comrade Zhao Ziyang regarded "raising the scientific and cultural level of all working people" as one of the 10 points of his economic construction policy. Let us join in the common effort to contribute to the success of education of workers and staff members.

PRC ECONOMIST HUAN XIANG DISCUSSES WORLD TRENDS

HK081420 Shanghai SHIJIE JINGJI DAOBAO in Chinese No 66, 4 Jan 82 p 2

[Report: "Huan Xiang Analyzes Current World Economic Development Trends"]

[Text] [Begin summary] Report from Beijing. Noted Chinese economist Huan Xiang in an interview with our special reporter Lin Zhengan and our reporter Zhang Boshu on new year's eve answered questions raised by them on the current world economic trends. Huan Xiang pointed out:

After almost 30 years of rapid postwar development, the economy of Western capitalist countries has started to sink into a long period of stagnation since the mid-1970's. I do not reckon that there will be any major improvement in this condition up to the end of this century. Under this situation, many Marxist scholars and even some prominent capitalist economists of the West are beginning to show increasing interests in the theory of prolonged fluctuation of the capitalist economy advanced by (Kangdelajiyefu) [1660 1795 2139 1323 5102 1133].

The economy of the Soviet Union and the East European countries has now reached a turning point, and industrial development is striving to change from expansion to contraction. However, this change will not be easy.

In the Third World, the economy of semi-industrialized countries will slow down and the economy of other countries will be even more difficult.

Below are the detailed points of Huan Xiang's answers. [End summary]

Reason for the Prolonged Stagnation of Western Economy

Question: Western scholars subscribe to the view that the capitalist market plays a self-regulatory role on the economy, and although ups and downs have appeared in the postwar economy of the West, it nevertheless will eventually return to the path of healthy development. What is your view?

Answer: Judging from the present situation, this formulation is untenable. In the 30 years from 1945 to 1974, the average annual growth rate of industrial output value in Western countries was about 4 percent and the rate of advance was 6 to 8 percent. The advance of individual countries, as in the case of Japan, was more than 10 percent. However, since the economic crisis from 1974

to 1975, the average annual industrial growth rate in Western countries was less than 1 percent, or almost zero growth. The fastest rate of advance during this period was 2 percent, but on the downward line, negative growth was as high as 2 to 3 percent. I reckon this condition of economic depression and stagnation will continue for a long time.

Question: What are the reasons for the condition of prolonged stagnation in the Western economy?

Answer: The reasons are very complicated, but basically there are three reasons.

The first basic reason is the disintegration of the capitalist economic and political system, of which the United States is the core. Economically speaking, the systems of the postwar capitalist world included: The Marshall Plan and the production system of the U.S. transnational corporations controlling West European and Japanese industrial production; the trade system, or the General Agreement on Tariffs and Trade [GATT], of which the United States is the core; and the monetary and financial system, of which the U.S. dollar is the core, that was set up in accordance with the Bretton Woods Agreement in 1944. Because of the strong productivity of the United States, the fixed monetary exchange rate and the lack of protectionism in trade, the capitalist economy was able to obtain sustained and prolonged development. At present, although U.S. industrial productive forces are still powerful, it no longer enjoys a monopoly and West European and Japanese transnational corporations have developed. After the "Tokyo round" of talks in 1979, GATT has become increasingly difficult to implement and protectionism has reared its head. The U.S. dollar is no longer a gold reserve currency and can no longer be considered a hard currency. The destruction of these three systems plunged the economy of the whole world from the stage of smooth development into the stage of difficult development. Politically speaking, there is formerly also a political and military system in the capitalist world, of which the United States was the core. At present, this also disintegrated.

Precisely because of the disintegration of the capitalist economic and political systems, of which the United States was the core, capitalism has no longer the power to cope with the current economic crisis. Regardless of whether economically or politically, the capitalist world of the West finds itself in a condition of extreme cleavage and competition. How the situation develops merits close attention.

Another reason for the prolonged stagnation of the capitalist economy is because the role of economic intervention played by the capitalist countries has almost come to an end.

For several decades in the past, by means of economic intervention, the developed capitalist countries of the West had played the role of adjusting the economic structure, coordinating the internal interests of the capitalists and guaranteeing higher profits for the monopoly groups. Such social welfare measures as state intervention of high wages, high consumption and high lending and borrowing also played the role of mitigating the contradiction between the capitalists and the workers. However, that was during the period of economic advance. In the period

of economic stagnation and recession at present, state intervention has become difficult. Some countries are still suggesting that state intervention can be further strengthened. However, what actually are the contents that must be strengthened? First of all, they must make the industrial organization more rational. This is something they can do. However, judging from the law of capitalism itself, the role played by state intervention in economic development will not be very effective.

The third basic reason for the prolonged stagnation of the capitalist economy is because the development of science and technology has already reached a saturation point. Western scientific and technological development has always been centered on military production, and the application of scientific and technological development to peacetime industries had also brought about the development of such new emerging scientific and industrial departments as computers, atomic energy power stations and aerospace industries. These new industries had touched off a rush of investment which had resulted in economic advance and prosperity. If we say that the science and technology of the past were mainly for the development of certain new industrial departments, then the science and technology of the present are only for the improvement of the process of production. At present, scientific and technological advances are mainly used for the improvement and not for the creation of machinery, and only utilized for improving and not for manufacturing new products. There has been no new breakthrough in scientific and technological development, consequently the amount of investment has greatly reduced. On the other hand, the investment in scientific and technological development is at present also decreasing every year.

Based on the above reasons, unless there is an impetus from such special external factors as a revolution or a war, there will not be very great development in the Western economy in the next 20 years. Without the stimulus of external factors, the Western economy will drag on without getting better or worse, but will muddle along at a low level. This is also the view among Western economists at present.

Soviet Economic Problems Difficult to Solve

Question: What are the economic prospects of the Soviet Union and East European countries?

Answer: There will not be any change for the better in the 1980's for the economy of the Soviet Union and the East European countries. The economy of these countries has also reached a turning point, and they must turn from expansion to internal growth industries. In other words, they must shift from the development of industries which require the addition of new workers and the setting up of new plants to the development of industries which require intensive capital and concentration of scientific and technical forces. However, this kind of development will be difficult. In the first place, they must transform their industrial structure, and in the second place, they must develop some new departments. The shortage of labor is a major problem. The process of reducing agricultural labor without affecting agricultural output is not easy. Furthermore, because of the change in consumer habit and because so many people are obtaining employment, the consumer needs of the people are rapidly increasing. However, because of policy reasons,

the present consumer needs can never be satisfied. It is impossible for the Soviet Union to change its economic policy because of its enormous military spending. Under the present situation, it is also very difficult for the East European countries to make a change. State regulation and the use of market mechanism will also not easily solve the problem there. There is still political unrest and intranquility at the moment and the U.S.-USSR arms race is still going on as usual. Under this condition, it is obviously quite difficult for them to concentrate their forces on solving economic problems.

The Speed of the "Train" is Now Slowing Down

Question: What are the economic development trends of Third World countries in the 1980's?

Answer: In the Third World countries, food is above all a very important matter. The reason some semi-industrialized countries were able to obtain development in the past was mainly because they had adopted a strategy of economic development centered on exports. Exports played a leading factor in their economy, and they were dependent on foreign capital and foreign markets. However, they neglected the development of agriculture. Now, some of the countries have noticed this problem and they no longer want to depend on exports, but their economic development will be very difficult. As a result of the widespread practice of protectionism, markets will become a problem. Many countries are burdened by foreign debts and find themselves in economic straits. The Third World countries have in the past relied on the technology of transnational corporations and on their own cheap labor to obtain economic development. However, the transnational corporations may export ordinary technology, but they will never supply key technology to the developing countries. The semi-industrialized countries have obtained development and caught the train when the economy of the capitalist world was on the advance. Now the speed of the train is slowing down and may even stop, they will be thrown off. Judging from the situation as a whole, the rate of economic development of the developing countries in the 1980's cannot be fast.

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GENERAL

INDUSTRY-COMMERCE INTEGRATION ADVOCATED FOR BETTER ECONOMIC RESULTS

Tianjin TIANJIN RIBAO in Chinese 29 Dec 81 p 3

[Article by Yang Liyuan [2799 7812 0626]: "Industry and Commerce Should Be Closely Integrated in the Common Effort to Improve Economic Results"]

[Text] Both industry and commerce have the responsibility of implementing the "eight-character" national economic policy (with readjustment as its core), developing the production of daily consumer goods and increasing economic benefits. As long as they unite together ideologically under the party's line, principles and policies, adapt themselves to the new conditions, and cooperate with each other in the form of a close integration, they will be able to speedily and effectively develop production, expand circulation and meet all requirements with better economic results.

The municipality has achieved notable success in implementing the policy of readjustment in industrial production. We had a water shortage which seriously hampered our industry. Then we were faced with the problem of reorientating our heavy industry--a problem which interfered with the normal operation of many enterprises. Under such conditions, our total industrial output value from January to November this year still increased by 6 percent over the same period last year. The total output value of light industry in the same period increased by 14.4 percent, while that of heavy industry which began to reverse its downward trend in October showed an increase of 4.4 percent over the same period last year; and then in November, increased by 5.1 percent. The total value of our products procured by the commercial departments also increased along with an improved product mix. The effects of industrial readjustment can be seen from the commodities in stock in the basic level warehouses. Here the ratio of easily marketable commodities has increased by 41.5 percent since the beginning of this year, while that of stagnant goods has been reduced by 36.5 percent.

These achievements in industrial readjustment are mainly attributed to the efforts of the industrial departments. However, in realizing the economic benefits, the role of the commercial department should be fully affirmed, for the reason that if the goods produced cannot be sold, there can be no economic benefits to speak of. The present problem is that with the further implementation of the readjustment policy, the production of daily consumer goods has to be quickly developed; the production of heavy industry has to be quickly reoriented; and the enterprises should further increase their economic benefits. Now, are the business mentality,

workstyle, forms and management among the commercial departments, particularly the wholesale units at the basic level, measuring up to these requirements? The answer is affirmative for some and negative for others. For example, the stores selling daily consumer goods, such as toothpaste, toilet articles, cotton knitwear and porcelain products have improved their business management according to the requirements of the new situation. The relationship between industry and commerce is good, and both production and circulation have developed. But this is not the case with all trades. The stores dealing in some means of production, such as chemical-industrial stores, though confronted with difficulties, have been able to adopt flexible forms of operation in selling their products so that production and circulation will no longer remain stagnant. Some other stores, however, are in a predicament and can find no way out. There are now three problems with the business mentality of various stores and these problems should be studied and solved.

The first problem is with the feeling of "helplessness." These stores claim that their goods cannot be sold and that their line of production cannot be changed. Therefore, they are helpless. Another problem is that they have "nothing to gain" and are therefore unwilling to do business. Finally, there is the "wait-and-see" attitude. These people are not sure whether the basic level stores still have a role to play in the period of readjustment and restructuring and what will be the future of basic level wholesale stores, and are therefore timid and hesitant. Here are my personal views in regard to these problems.

First, we must highly regard and give full play to the positive role of commerce in supporting and promoting industrial readjustment. Some people have raised this question: Since the system has to be reformed, the structure has to be readjusted and production has to be developed, are basic level wholesale commerce still necessary? There are different points of view in studying this problem, but in the light of the party's readjustment policy or in practice, nobody can ever come to the theoretical conclusion that it is unnecessary.

In a society of commodity economy, there is an objective need for commerce because of the role it plays. According to our experiences in economic construction in more than 30 years following the founding of the People's Republic, our socialist commodity production as a whole has not been sufficiently developed. The purpose of readjustment, restructuring, consolidation and improvement is precisely to develop commodity production more effectively as a long-range undertaking hereafter. Only through further development of commodity production can we develop China's backward productive forces faster and gradually accomplish socialist modernization. Therefore, we can positively say that the development of socialist commodity economy is a long-range undertaking during the socialist historical period. From this, we will understand that the place occupied by wholesale commerce and the role it plays can only be highly regarded, but not ignored. In the readjustment and restructuring being carried out today, we should give fuller play to the role of wholesale commerce instead of abolishing it.

According to Marxist theory of reproduction, the capital of an enterprise continually changes its own form and expands itself in the process of production and circulation. The cyclical movement of capital consists of three stages: First, the purchasing stage. In purchasing the means of production and in paying wages, money-capital is transformed into production capital. Second, the production stage. When the labor

of workers and staff members has been expended and some means of production has been consumed, a certain amount of new commodities of expanded value are produced. Thus the production capital is transformed into commodity capital. Third, the selling stage. The new commodities must be sold before the commodity capital can be transformed into money capital once again. Under normal conditions, this sum of money capital should be larger than before. Only thus can the economic benefits be realized. It is through these endless cycles that the enterprises are able to preserve their strong vitality. The first and third stages can only take place through the commercial network, in which the basic level wholesale commerce guards a strategic pass. If there is no obstruction in this pass, goods from their sources can be freely delivered to various parts of the network; and if the entire network is free from any obstruction, then the cyclical movement of capital can be expedited with better economic results. It is true that industrial development mainly depends on industry itself. However, the importance of the basic level wholesale commerce cannot be underestimated. Economic restructuring demands that we should act in accordance with the objective laws of commodity production in combining circulation with production instead of discarding it. At any rate, therefore, the role of the important pass cannot be ignored. On the contrary, it should be given fuller play so that commodities can get through it freely. We must have the courage to study from theory to practice the way to give fuller play to the role of circulation instead of waiting on passively or, more important still, trying to evade the issue.

Second, the greatest benefit in production is derived from the fine quality and brisk sales of the products and the low production cost and operating expenses. Here is where efforts should be made in industrial-commercial cooperation. Marx said: "So long as the capital, now expanded, remains in the form of commodity-capital and lies immovable in the market, the process of production is at rest." ("Das Kapital" Vol 2, p 48) In other words, during the selling stage, the completion of sales marks a vital leap in the process of reproduction. For the value of commodities to be realized, we must sell it and without delay. This means that the use value of the commodity must be able to meet social demand. Therefore, meeting social demand is the goal of socialist production. If we deviate from this goal and the commodity has to be stored in the warehouse instead of being sold, it is of no value and cannot bring about any profit. Furthermore, this will be a serious waste instead of any economic benefit. Therefore, the realization of commodity value depends on whether or not it can be sold on the market. This is a vital problem in social reproduction. At present, the state wants to have the products sold in order to gain as much as possible. It is imperative that industry should improve the quality and increase the designs and varieties of industrial products and at the same time strive to lower the production cost as much as possible, while commerce should endeavor to lower its operating expenses to the maximum extent. Only thus can the conditions be created for the prices to become rational and for maximum economic benefits to be obtained.

According to the party's readjustment policy, industry is required to step up its production of daily consumer goods in the course of readjustment, or to produce more easily marketable, attractive and low-price commodities in order to meet people's needs and to increase state revenues. In short, industry is required to improve the economic results. In this connection, the commercial departments should carefully attend to two jobs: First, market investigation and forecast (which should also cover production in various localities), or to serve as the

sensory organs of industry. This job should be organized in the form of a network and carried out constantly and systematically so that the required data could be collected with modernized and scientific methods and the results would be applicable and of high quality. Second, sales promotion. Here, we must first be sure that publicity for commodities is based on facts. Secondly, we must change the work-style. Instead of waiting for customers to call at the door and being preoccupied with allocation and distribution in the office, we should go out to the market to sell goods on the spot. Thirdly, we should have a sense of responsibility to the customers and consumers through to the end so as to enhance the reputation of the commodities. Fourthly, we should be flexible in our business methods as long as the party's policies are upheld, so that through commercial marketing, the market for Tianjin's products can be expanded.

Third, commercial enterprises should strengthen their self-management, tap their internal resources and work hand in hand with industry in a common effort to increase economic benefits. Social reproduction is a unity of production and circulation. For the production of any commodity, time is required not only for production itself, but also for circulation as well in the value cycle. Therefore, the economic results of reproduction as a whole are determined not only in the process of production but also in that of circulation. If the time of circulation is shortened, the circulation expenses are curtailed, and the losses are eliminated or minimized, better economic results can be attained. If we expect commercial enterprises to make profits and to contribute more to state accumulation, we should also let the enterprises and workers have better incomes. However, these incomes cannot be increased at the expense of state finance or the interests of the production department and the consumers. Instead, they should be increased through tapping internal potential and reducing production costs. It is true that the level of management among our commercial enterprises is still quite low, and relatively speaking, there is a lot of potential to be tapped for increasing economic benefits. There is now the need to raise the efficiency in various aspects and sectors, such as procurement, sales, transfers, storage, transportation, financial settlement, fund utilization and so forth. All commercial enterprises should examine their own management in the light of social reproduction and improve their own work by shortening the circulation time, reducing circulation expenses, increasing social economic benefits, and managing the enterprises with more scientific methods. The "eight-character" policy has now to be further implemented and the overall consolidation of enterprises included in meeting agenda. In the course of consolidation, there is a common goal for both industry and commerce, and in striving for this goal, they must help each other and advance hand in hand.

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GENERAL

DOUBTS ON QUESTION OF SMALL-SCALE PRODUCTION CLARIFIED

Nanjing XINHUA RIBAO in Chinese 24 Nov 81 p 3

[Article by Shao Hui [4801 6540]: "A Theoretical Error on the Question of 'Small-Scale Production' Rectified"]

[Text] The "Resolution" adopted in the Sixth Plenary Session of the 11th Party Central Committee pointed out: One of the causes leading to the outbreak of the "Great Cultural Revolution" was that certain arguments in the Marxist-Leninist works had been misunderstood or dogmatically interpreted. For instance, "it was thought that small production would continue to engender capitalism and the bourgeoisie daily, hourly and on a large scale even after the basic completion of socialist transformation, and so a series of 'leftist' economic policies and policies on class struggle in urban and rural areas were formulated." This passage points out one of the theoretical roots of our leftist errors in the past and at the same time rectifies a theoretical error on the question of "small-scale production." This rectification is of great importance to us in our continued efforts to eliminate leftist influence.

What is small-scale production? It is a mode of production carried out within narrow limits and based on private individual ownership of the means of production and individual labor, generally undertaken by individual peasants and individual handicraft workers. It was born in the later period of the primitive society when social division of work and the system of private ownership first appeared. Under the conditions of natural economy, it has the basic features of individual economy. When the relations between commodity and money became more advanced, the small-scale producers sold a portion, or the major portion, of their own products and were therefore called small commodity producers. Polarization could emerge among the small-scale producers when commodity economy developed into capitalist economy. However, only a very small number of these people could become rich enough to join the ranks of the bourgeoisie, while the overwhelming majority of them either became totally bankrupt or live in poverty as proletarians forever. In our country, when the socialist transformation of the system of ownership of the means of production had been completed and the broad masses of small-scale producers in the urban and rural areas had already taken the road of collectivization, they were no longer small-scale producers of the old society, but socialist collective peasants and collective handicraft workers.

The so-called small-scale production which would engender capitalism daily and hourly refers to the small-scale commodity production when a portion, or a large portion of the products are sold to others. Lenin mentioned this problem in May 1921 when the Soviet political power had only been newly established. Although a small number of collective organizations were set up in the vast countryside, private economy was then still predominant. Years of war had seriously disrupted the economy, and the famine, then engulfing the entire country, created extreme difficulties for food supply in the urban areas, where people had sometimes to live on without food. In the rural areas, however, some rich peasants were unwilling to sell their surplus grain to the state, because they wanted to sell it on the black market at a price

10 times higher than the state price. Under such conditions, Lenin held that the struggle between the proletariat and the bourgeoisie and between socialism and capitalism was sharply manifested in the struggle for grain. Speculation and profiteering by the small peasant producers who sold their grain privately in the free market at a high price formed a hotbed for the breeding of capitalism, while those rich exploiter peasants, who would rather see the workers starved than sell their grain to the state already became out-and-out bourgeoisie. In his work "Left-Wing Communism, an Infantile Disorder," Linin therefore sharply pointed out: "Small production engenders capitalism and the bourgeoisie continuously, daily, hourly, spontaneously, and on a mass scale."

Obviously, this was a conclusion drawn by Lenin under certain specific historical conditions, when the economy of Soviet Russia was seriously jeopardized and profiteering in grain was rampant. He neither mentioned that small production would engender capitalism at any time and under any condition, nor made it clear that its widespread development would tend to engender the bourgeoisie on a mass scale. Generally speaking, during the transition from commodity economy to capitalist economy, most of the small producers would become proletarians. When the proletariat had seized power, however, the vast majority of peasants could clearly see that only proletarian leadership and socialism could free them from poverty and exploitation.

During the "Great Cultural Revolution," however, this particular thesis of Lenin was dogmatically interpreted as being universally applicable, and the collective peasants and collective handicraft workers who had 10 or 20 years' experience in the cooperative movement in our country was arbitrarily likened to the small producers spoken of by Lenin whose production would at that time "engender capitalism and the bourgeoisie spontaneously, daily, hourly and on a mass scale." This theoretical misinterpretation naturally brought about exaggerated class struggle and struggle between the two roads resulting in a series of leftist policies for the urban and rural economy and for class struggle in these areas. Then under such leftist slogans as "taking class struggle as the key link," "continuing the revolution under the dictatorship of the proletariat," "failure in blocking the capitalist road means failure to make any socialist progress" and so forth, certain individual undertakings under the collective economy in the urban and rural areas throughout the country were repudiated as signs of "spontaneous capitalist tendencies," while the private plots and household sideline occupations of rural commune members were treated as "capitalist tails" to be chopped off. The use of some spare labor power in the urban and rural areas which should be of advantage to social work was branded as "taking the capitalist road," and some commune members who had become rich ahead of others through their own hard work and efficient management were attacked in struggle meetings as "upstarts" or "new bourgeois elements." As a result, some basic level cadres and people could only follow the old convention of being "large in size and collective in nature." They frowned on any organization that was "small," repudiated anyone who was "rich," and nipped off anything that was "conspicuous" for fear of the breeding of capitalism and the bourgeoisie, although they were actually seriously dampening the socialist enthusiasm of the broad laboring masses by obstructing the development of private plots, household sideline occupations and other individual undertakings.

After the Third Plenary Session of the 11th Party Central Committee, and in the course of redressing the grievances, our party eliminated the leftist influence, adopted flexible economic policies and rectified the leftist error on the question of small-scale production. We have also adopted the responsibility system of linking

planned output with remunerations in various forms, and encouraged the commune members to manage their private plots and household sideline occupations well. Individual economy in the cities has also been restored and developed to a certain extent in accordance with the objective requirements of socialist economic development. However, the theoretical misinterpretation of the question of "small-scale production" has left its imprint in people's mind, and further efforts are required to have it eradicated.

Some people still have misgivings about the responsibility system of linking planned output with remunerations and particularly the system of fixing output quotas based on the household and that of responsibility of households for the output of their assigned plots, because they are afraid that such systems may slide back to the road of "individual farming on divided plots," "small-scale production" and finally to the wrong path of "capitalism." Some of them even said: "After toiling for 30 years, we cannot go back overnight to where we were before liberation." In fact, the responsibility system has been set up in the countryside after summing up our experiences, both positive and negative, in the cooperative movement and in communization. It is a continuation and development of such effective methods as "three contracts and one reward" in the past, and a fundamental reform in the management system of socialist collective farming. In encouraging the peasants to carry out intensive farming and strict budgeting, it is more rational, more accurate and more advantageous than the system of appraisal of work done and calculation of workpoints earned, or the system of fixing quotas and recording workpoints. Furthermore, party policies have clearly stipulated that many forms instead of only one form of production responsibility have to be set up in the countryside, and that there should be no change in the collective orientation and in the system of collective ownership of the basic means of production, particularly the ownership of land. Therefore, the idea that the responsibility system which means fixing output quotas on the household and responsibility of the household for the output of the assigned plot would backslide to "individual farming on divided plots" and "small-scale production" is erroneous. The fear that the responsibility system of linking planned output with remunerations may lead to polarization and then capitalism is equally groundless.

Some people have also worried about the restoration and development of individual economy in the cities, thinking that this would lead to the spontaneous capitalist tendency of "small-scale production" with a new bourgeoisie as the result. This is also wrong. Although our individual economy at the present stage is still in the sphere of "small-scale production," it is different from either the individual economy under capitalist conditions or the individual economy before the "three major transformations" because it is subordinate to and has to serve socialist economy when the socialist system of public ownership enjoys absolute superiority. As long as we provide stronger leadership, actively develop its role as a supplement to the state and collective sectors of economy, and promptly rectify its unhealthy tendencies in blindly striving for monetary gains as the sole objective, it will help us improve our socialist economic structure by adapting it to various levels of the development of productive forces and thus make our modernization drive an even greater success.

GENERAL

BRIEFS

GANSU COMMODITIES RETAIL SALES--In Gansu Province's Lanzhou Municipality, commodities retail sales in 1981 exceeded 1 billion yuan, an increase of 14 percent over 1980; urban and rural savings deposits in 1981 totalled 260 million yuan, 23 percent over 1980; and per capita savings deposits in urban areas averaged 240 yuan. In 1981 Lanzhou Municipality overfulfilled the annual financial revenue target by 1.1 percent. Its financial expenditures were 10.9 percent lower than the budget and financial revenue and expenditures were basically balanced. In Lanzhou's urban areas, 1.45 million meters of woolen cloth were marketed in 1981, an increase of 35.8 percent over 1980, and 52,000 television sets were sold, an increase of 14.6 percent. Now 54 percent of urban people have television sets. [SK051119 Lanzhou Gansu Provincial Service in Mandarin 1125 GMT 4 Feb 82]

CSO: 4006/283

LABOR AND WAGES

HONG KONG FIRM SENDS PRC WORKERS TO MIDDLE EAST

HK270238 Hong Kong SOUTH CHINA MORNING POST in English 27 Jan 82 p 6

[Article by Peter Humphrey]

[Excerpts] A Hong Kong company is attempting to send more than 10,000 workers from China to the Middle East, many of whom will be working beside "export workers" from anti-communist South Korea in pro-Soviet Libya.

Spokesmen for Chronicle Consultants Ltd. said the company has 500 workers from China in Iraq engaged on a petroleum project for Niigata Engineering Co. Ltd., and on other civil construction projects run by the Iraqi Government, including modification, installation and repair work on a de-gassing plant.

Another 100 China workers were also sent to Libya to build an express highway near Tripoli, and a further 40 will be dispatched this month.

Chronicle has already contracted 4,000 workers from Guangdong Province for foreign firms in Iraq, Libya and North Yemen.

Reliable sources estimate that, when other companies contracting Chinese labour are taken into account, there are already over 13,000 Chinese workers in Iraq.

However, they say, since so many companies are now involved, it is impossible to state exactly how many are engaged in the Middle East.

There are also 2,000 Chinese working in northern Iraq at Kirkuk and Mosul on a dam construction project, and 1,000 on an oil refinery project under Chiyoda Chemical Engineering and Construction Co. Ltd. of Japan.

Given the unresolved Sino-Soviet dispute, some observers are astonished that China should dispatch workers to pro-Soviet Libya and that Libya should accept them.

However, workers from anti-communist South Korea have worked on Libyan projects for many years.

The submanaging director of Chronicle, Mr Y. Nakayama, said he believes there is no limit to the supply of Chinese workers; the limit, if there is one, is on the demand side.

Chronicle, he says, is now holding negotiations with French, British and German companies to supply more than 10,000 workers from China for projects mainly in Iraq.

Chronicle Consultants Ltd. is a company wholly owned by Hong Kong businessmen and is the local representative of Guangdong Manpower Services Corp (GMSC). The latter comes under the Manpower Department of Guangdong Province.

Chronicle is authorised to sign contracts for the supply of labour from China provided by GMSC for foreign contractors on overseas engineering projects.

Chronicle spokesmen showed the SCM POST documents explaining the Chinese workers' pay scale; an average of U.S.\$430 (about HK\$2,365) monthly, on a scale from U.S.\$1,000 (about HK\$5,500) for engineers.

The salaries are paid through Chronicle to the GMSC in Guangdong, usually in U.S. dollars although sometimes in other "hard" currencies.

GMSC retains part of the salaries, but the workers dispatched by Chronicle receive indirectly most of their pay, Mr Nakayama said.

CSO: 4020/93

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Feb 22, 1982

